

SUBCOMMITTEE NO. 3

Agenda

**Chair, Senator Elaine Alquist
Senator Dave Cogdill
Senator Alex Padilla**



Agenda – Part “C”

**Thursday, April 12, 2007
Upon adjournment of session
John L. Burton Hearing Room (4203)**

Consultant, Brian Annis

Labor Agency and Select Departments

<u>Item</u>	<u>Department</u>	<u>Page</u>
Proposed Consent Calendar		
7120	California Workforce Investment Board.....	1
Proposed Discussion / Vote Calendar		
0559	Secretary for Labor and Workforce Development	2
7100	Employment Development Department.....	4
7350	Department of Industrial Relations	13
Attachments		
Employment Development Department - Job Services Position Reduction Plan		31
Employment Development Department - Workforce Investment Act Expenditure Plan		32

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

Department Budgets Proposed for Consent / Vote-only

7120 California Workforce Investment Board

The federal Workforce Investment Act (Act) of 1998 established new requirements for employment and training programs for adults, youth, and dislocated workers. Pursuant to the provisions of the Act, California established a state Workforce Investment Board (Board) comprised of: (1) the Governor; (2) two members of the Senate, appointed by the President pro Tempore; (3) two members of the Assembly, appointed by the Speaker; and (4) representatives of business, labor organizations, community-based organizations, schools and colleges, state agencies, and local governments, appointed by the Governor. The Board is tasked with developing workforce development programs into an integrated workforce investment system that can better respond to the employment, training, and education needs of its customers.

Proposed Budget: The Governor proposes \$4.5 million (federal funds and reimbursements) and 20.9 positions for the Board's budget – a decrease of \$428,000 from adjusted current-year expenditures, and no change in positions. The Administration did not submit any Budget Change Proposals for the Board; however, the Administration did make a policy decision to shift \$400,000 from the Board to the Employment Development Department. The \$400,000 shifted is federal Workforce Investment Act funds that would be used for direct workforce development activities in the EDD budget. No concerns have been raised with this shift.

Staff Recommendation: Approve as budgeted.

Department Budgets Proposed for Discussion and Vote

0559 Secretary for Labor and Workforce Development

The Labor and Workforce Development Agency (Agency) brings together the departments, boards, and commissions, which train, protect and provide benefits to employees. The Agency is primarily responsible for three different types of functions, labor law enforcement, workforce development, and benefit payment and adjudication. The Labor and Workforce Development Agency includes the Department of Industrial Relations, the Employment Development Department, the Agricultural Labor Relations Board (which is heard in Subcommittee #2) and the Workforce Investment Board. The Agency provides policy and enforcement coordination of California's labor and employment programs and policy and budget direction for the departments and boards.

Proposed Budget: The Governor proposes \$2.2 million (reimbursements from departments and penalty assessments) and 14.2 positions for the Secretary's budget – a decrease of \$135,000 and no change in positions.

Issue for Discussion / Vote:

Issue 1: Employer / Employee Labor-Law Education (Staff Issue)

Description: The Administration requests expenditure authority of \$15,000 (Labor and Workforce Development Fund) for the purpose of funding employer/employee education efforts. This relates to two bills passed in 2003 and 2004 (see below). Because revenue received last year, and to-date this year, has exceeded expectations, the Subcommittee may want to consider augmenting funding for this program.

Background / Detail: This issue relates to the following two bills:

- **Assembly Bill (AB) 276 (Chapter 329, Statutes of 2003, Koretz):** This bill increased penalties for violations of specified provisions of the Labor Code and provides that 12.5 percent of the employer penalties for failure to pay wages or unlawfully withholding wages shall be placed in a fund within the Agency to be used to educate employers about state labor laws. The remainder of the penalty is to be deposited in the General Fund. The analysis for AB 276 estimated annual total penalty revenue of \$800,000, with about \$100,000 of that available to the Agency for education efforts.
- **Senate Bill (SB) 1809 (Chapter 221, Statutes of 2004, Dunn):** This bill allows employees to bring civil actions to recover civil penalties provided for violations of the Labor Code. These provisions are called the Private Attorneys General Act of 2004. The statute divides the penalties collected between the Agency (75 percent) and the aggrieved employee (25 percent). The Agency share is specified for

education of employers and employees about their rights and responsibilities under the Labor Code. No estimate of civil penalty revenue was included in the analyses of SB 1809.

Staff Comment: The Administration has been more conservative in its estimates of program revenue than the analyses associated with the enacting legislation. Last year, the Administration proposed ongoing expenditure of \$15,000. However, when a single penalty payment bumped 2005-06 revenue over \$100,000, the Administration agreed to a one-time expenditure increase to \$100,000 in 2006-07. The Administration has built \$15,000 into the 2007-08 budget; however, recently-paid penalties have resulted in 2006-07 revenue above \$500,000. Due to higher revenue for this special fund program, the Subcommittee may want to consider increasing the program up to about \$200,000 on an ongoing basis. This ongoing amount could be further adjusted in future years if program revenue changes.

Revised Administration Plan: Recognizing the new revenue, the Administration has recently prepared a \$211,000 expenditure plan for implementation in 2008-09. The Administration believes it is too late in the budget process for them to prepare a Finance Letter to implement the new expenditure plan in 2007-08. The new plan would 1) establish a toll-free 800 number that workers could call to get information about worker rights and labor law; 2) create a limited term position to respond to questions on the toll-free line; and 3) create a bus advertising campaign to tell workers about the toll free number.

Questions:

1. Agency, please provide an updated revenue report and explain the new expenditure plan.
2. LAO, please comment on this request and the feasibility of implementing the Administration's new expenditure plan in 2007-08 instead of 2008-09.

Staff Recommendation: Permanently augment this item from \$15,000 to \$211,000 to accelerate the Administration's new labor-law education plan by one year (from 2008-09 to 2007-08).

7100 Employment Development Department

The Employment Development Department (EDD) administers services to employers, employees, and job seekers. The EDD pays benefits to eligible workers who become unemployed or disabled, collects payroll taxes, administers the Paid Family Leave Program, and assists job seekers by providing employment and training programs under the federal Workforce Investment Act of 1998. In addition, the EDD collects and provides comprehensive labor market information concerning California's workforce.

The January Governor's Budget proposed \$10.8 billion (\$44.4 million General Fund) and 8,739.4 positions, a decrease of \$332 million and 242.8 positions from the revised current-year budget. The change primarily results from a revised forecast of benefit payments in 2006-07 and 2007-08. The table below compares current year and proposed budget year expenditures. The budgeted amounts for 2006-07 benefit payments include a 10-percent buffer for uncertainty; therefore, actual 2006-07 benefit payments will likely be less than indicated below.

Expenditure by Program (dollars in thousands)	2006-07	2007-08	\$ Change	% Change
Employment & Employment Services	\$181,852	\$153,065	-\$28,787	-15.8
Tax Collections & Benefit Payment				
State Operations	632,749	633,923	1,174	0.2
Disability Insurance Payments*	4,427,751	4,306,570	-121,181	-2.7
Unemployment Insurance Payments*	5,176,629	5,023,681	-152,948	-3.0
School Employees Payments*	87,170	79,181	-7,989	-9.2
Unemployment Insurance Appeals Board	73,008	74,533	1,525	2.1
Administration	54,971	57,259	2,288	4.2
Distributed Administration	(51,194)	(51,194)	0	0.0
Employment Training Panel	53,711	53,939	228	0.4
Workforce Investment Act	446,761	420,491	-26,270	-5.9
National Emergency Grant Program	45,000	45,000	0	0.0
Total	\$11,128,408	\$10,796,448	-\$331,960	-3.0

* 2006-07 amounts include a 10-percent buffer above the forecast

(see next page for issues)

Issues Proposed for Consent / Vote Only

(See following page for Staff Recommendation)

Vote Only Issue 1: Disability Insurance Automation IT Project (BCP #1)

Description: The Administration requests an augmentation of \$1.6 million (special funds) and 6.6 positions to fund the second year of a four-year information technology project that is estimated to cost a total of \$28.9 million (last year, the Subcommittee approved funding for the first year of the project). The Administration indicates that the system would provide greater access to services for claimants, medical providers, and employers.

Detail / Background: The Disability Insurance Automation Project – Phase 3 (DIAP3) would replace and improve functionality currently provided from key-data-entry personnel and two legacy IT systems. With expected efficiencies that would result in the elimination of 67 positions upon full implementation, the Feasibility Study Report (FSR) indicates a net cumulative project cost that falls to \$9.5 million by 2011-12. With annual net savings of almost \$9.6 million in 2011-12, the FSR implies this project should pay for itself by around 2013-14.

Vote Only Issue 2: Automated Collection Enhancement IT Project (BCP #4)

Description: The Administration requests 2007-08 funding of \$2.8 million (\$2.5 million General Fund) and 15 existing limited-term positions for year-two of the Automated Collection Enhancement System (ACES) information technology project (last year, the Subcommittee approved funding for the first year of the project). EDD indicates that this is a seven-year project with a total cost in the range of \$93 million. However, EDD also estimates this system will enhance the collection of penalties and back-wages and generate a total of \$583 million in additional revenue over a ten-year period (and about \$70 million ongoing). Approximately \$53 million of the \$70 million in ongoing revenue will benefit the General Fund.

Detail / Background: ACES is a collection system modeled after the systems currently used by the Franchise Tax Board and the Board of Equalization. The ten-year \$583 million revenue estimate noted above is based on the success of projects of a similar nature implemented by other tax and revenue organizations, both within and outside California.

Vote-Only Issue 3: Federal “WIRED” Grant (April Finance Letter #1)

Description: The Administration requests an increase in budget authority of \$2.5 million in 2007-08 (a total of \$5 million over 3 years) to expend a Workforce Innovation in Regional Economic Development (WIRED) grant, which was recently awarded to California by the federal Department of Labor.

Detail / Background: The Northern Rural Training and Employment Consortium (NoRTEC) was selected by the federal government as the grantee (via EDD). The purpose of the grant is to promote high-skill, high wage job growth and opportunities. Last year, the Subcommittee approved a similar proposal for a WIRED grant awarded to the California Space Authority.

Staff Recommendation: Approve all the vote-only issues (Issues 1 – 3).

Issues for Discussion and Vote:**Issue 4: Program Benefit Adjustments (October 2006 Revise)**

Description: The EDD budget reflects adjusted benefit expenditures in the current year and budget year. The adjustments are a result of recent benefit claim levels and of the October 2006 forecast of future claims. The Department will submit a revised forecast for benefit expenditures as part of the May Revision. The amounts included in the January Governor's Budget for 2006-07 benefit payments include a 10-percent buffer for uncertainty.

- **Unemployment Insurance (UI):** Benefits are proposed to decrease by \$475.0 million in 2006-07 (excluding the buffer) and decrease by \$157.4 million in 2007-08 (both relative to the 2006 Budget Act base). Additionally, operations expenditures are proposed to decrease by 216.4 personnel years and \$16.6 million in 2006-07 and decrease 225.6 personnel years and \$18.0 million in 2007-08.
- **Disability Insurance (DI) Program:** Benefits are proposed to increase by \$91.1 million in 2006-07 (excluding the buffer) and increase by \$382.0 million in 2007-08 (both relative to the 2006 Budget Act base). Additionally, operations expenditures are proposed to increase by 36.6 personnel years and \$2.6 million in 2006-07 and increase 63.4 personnel years and \$5.1 million in 2007-08.
- **School Employees Fund Program:** Benefits are proposed to decrease by \$10.0 million (including the buffer) in 2006-07 and decrease by \$17.8 million in 2007-08. No staffing changes are requested in either year.
- **Workforce Investment Act (WIA) Program:** WIA expenditures are proposed to decrease by \$5.7 million in 2006-07 and decrease by \$30.6 million in 2007-08.

Questions:

1. EDD, please describe changes in economic conditions and benefit claims that have occurred since the October forecast. Additionally, describe the outlook for future claims levels and the UI Fund balance.

Staff Recommendation: Hold open for anticipated May Revision changes.

Issue 5: Job Services Program Cut (BCP #5)

Description: The Administration requests a \$27.1 million cut to the Job Services Program. This cut would remove all State funding (EDD Contingent Fund) from the Job Services Program and eliminate 271 positions. The program would continue at a reduced level of activity using \$138.3 million in federal funds and \$14.8 million in reimbursements. This proposal represents a cut of about 16 percent to the program. In addition to the proposed cut, EDD did not receive an augmentation for the cost-of-living (COLA) salary increases related to recent bargaining unit contracts. EDD indicates they would need an additional \$5.0 million to fund these COLAs for the remaining positions. Without this funding, EDD will have to hold an additional 47 positions vacant (beyond the eliminated positions).

Background / Detail: Since 1983, the EDD Contingent Fund has been utilized to supplement federal funds in supporting the Job Services Program. The Department indicates the job service centers annually provided services to more than one million job seekers and 53,000 employers. Many job services centers are cooperative ventures with local entities, including local Workforce Investment Boards, and county CalWORKs offices (the CalWORKs aspect of the proposed reduction was discussed by the Subcommittee at the March 29 hearing). In last year's budget, the Administration proposed, and the Legislature approved, an augmentation in EDD Contingent Funds of \$6.9 million to maintain 93.0 positions that would have otherwise been eliminated due to federal cuts.

Decreased Federal Support: The decline in federal job funds was summarized last year in a letter dated March 17, 2006, that the Governor wrote to Congressman Ralph Regula, then the Chairman of the Subcommittee on Labor, Health and Human Services Education and Related Agencies, Committee on Appropriations:

Workforce Investment Act (WIA) Programs – Since the initial appropriation for the Workforce Investment Act (WIA) in 2000, the amount allocated by Congress has decreased in each of the last six program years. The decrease in California for WIA's three funding streams has been \$196.1 million, over 31 percent. Appropriations for the Wagner-Peyser Act have also decreased in the last five years. The total decrease for California's Job Services program equates to nearly 9 percent. These constant reductions of federal appropriations significantly impair California's ability to provide employment and training services at the level necessary to meet the needs of California's changing and expanding workforce and economy. Maintaining funding for federal WIA programs at the current level is a priority for California.

LAO Recommendation: In the *Analysis of the 2007-08 Budget Bill*, the LAO withholds recommendation pending receipt of supporting information from the Administration. On April 5, 2007, EDD provided the LAO and Committee Staff a detailed Job Services Reduction Plan that indicates positions eliminated by region and office. Attachment I to this agenda is the EDD summary table for position cuts at each office (excluding the 54 central administrative positions that would also be cut).

Questions:

1. EDD and Department of Finance, please describe the service reductions that would result from the cut in positions.
2. EDD and Department of Finance, please indicate how this proposal relates to the CalWORKs proposed reductions.

Staff Recommendation: Keep this issue open for the May Revision and further discussion on the CalWORKs impact of this proposal.

Issue 6: Tax Sharing Ratio Change (BCP #2 and April Finance Letter #2)

Description: The Administration requests a funding shift for tax collection workload. The shift would result in a net-zero change in expenditures, but would increase General Fund expenditures by \$13.5 million and reduce Disability Insurance and Employment Training Fund expenditures by \$11.1 million and \$2.4 million respectively. EDD collects taxes in the following areas: Unemployment Insurance, Disability Insurance, Employment Training, and employer-withholdings for Personal Income Tax. This proposal would shift the funding for the tax-collections positions to reflect the pro rata workload for each tax. The April Finance letter is a technical correction related to this proposal.

Background / Detail: Given the \$13.5 million General Fund cost of this proposal, staff has asked EDD what would happen if this shift is delayed a year or more. There was initially some discussion of federal sanctions, but staff now understands from EDD that the federal government does not object to the current funding allocation. The benefit of this proposal seems to focus more on appropriate state accounting.

Question:

1. EDD and Department of Finance, due to the General Fund shortfall for 2007-08 and the difficult reductions proposed (such as the Job Services cut), can this proposal be delayed for a year?

Staff Recommendation: Keep this issue open. If it appears possible to delay this proposal for a year, staff recommends keeping this issue open until the General Fund condition is reassessed with the May Revision of the Governor's Budget.

Issue 7: Workforce Investment Act (LAO Issue)

Description: The LAO recommends the Legislature reallocate federal Workforce Investment Act (WIA) funds to shift \$3.4 million from new regional collaboratives to existing parolee employment programs, and adopt related budget bill language. Attachment II to this agenda is an LAO table that summarizes the proposed funding allocation. Regional collaboratives are training projects developed at a regional level by a partnership of business, labor, foundations, and other public agencies. The LAO indicates regional collaboratives were tried in the 1990s and mostly fell short in meeting their job placement goals. The shift of the \$3.4 million from Regional collaboratives to the parolee programs would not change the mandated level of parolee programs, but would result in a General Fund savings of the same amount.

Background / Detail: The Administration estimates the State will receive approximately \$413.3 million in federal WIA funds for expenditure in the 2007-08 budget. Under federal law, 85 percent of WIA funds are allocated to local Workforce Investment Boards for employment and training services. The remaining 15 percent (about \$62 million) is available for State discretionary purposes such as administration, statewide initiatives, and competitive grants for employment and training programs. The LAO produced the chart on Attachment II that shows how proposed 2007-08 allocations differ from 2006-07.

Questions:

1. LAO, please summarize your recommendation.
2. EDD, please comment on the LAO recommendation.

Staff Recommendation: Keep this issue open. There is usually a Workforce Investment Act adjustment proposed with the May Revision. Keep open to hold action until a complete WIA funding picture is known.

Issue 8: Employment Training Panel Funding

Description: The Administration requests a shift of \$15.0 million (Employment Training Fund) from the Employment Training Panel (ETP) program to the Department of Social Services' CalWORKs program. This proposal results in General Fund savings of \$15.0 million, because absent the shift, the General Fund would incur the CalWORKs cost.

Background / Detail: The Employment Training Panel was created in 1982 to improve the skills of California's workforce and retain businesses in the state. The ETP is funded through the Employment Training Tax, a special tax which is levied on employers who participate in the Unemployment Insurance Program. Historically, revenue has annually averaged \$70 million to \$100 million. The ETP program primarily funds "employer-focused" job training – more than 90 percent of ETP supports training of incumbent workers. The Employment Training Fund money transferred to CalWORKs supports job training services for CalWORKs clients. The following table shows how Employment Training Fund money has been distributed between ETP and CalWORKs in recent years (\$ in millions). Last year, the Governor had proposed a reverse shift of \$5 million from CalWORKs back to the Employment Training Panel. The Legislature increased this shift so the Employment Training Panel received an additional \$12.9 million.

The CalWORKs aspect of the Employment Training Panel budget was discussed at the March 29, 2007 Subcommittee hearing. As page 24 of the agenda for that hearing noted, the ETP recently began a work pilot program to train CalWORKs recipients. The ETP has dedicated \$2.6 million to the pilot to train 585 individuals.

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08*
ETP Appropriation	\$75.8	\$76.0	\$76.0	\$18.2	\$44.0	\$37.8	\$58.2	\$59.2
Percent to ETP	65%	51%	65%	22%	48%	44%	75%	63%
CalWORKs Appropriation	\$30.0	\$61.7	\$30.0	\$56.4	\$40.0	\$37.9	\$20.0	\$35.0
Percent to CalWORKs	26%	41%	26%	68%	43%	44%	25%	37%

* Proposed

Questions:

1. Employment Training Panel, please summarize the CalWORKs pilot program.
2. LAO, please comment on the CalWORKs pilot and the proposed ETP budget.

Staff Recommendation: Keep this issue open, so action can be coordinated with the CalWORKs budget as appropriate.

7350 Department of Industrial Relations

The objective of the Department of Industrial Relations (DIR) is to protect the workforce in California; improve working conditions; and advance opportunities for profitable employment. The Department enforces workers' compensation insurance laws and adjudicates workers' compensation insurance claims; works to prevent industrial injuries and deaths; promulgates and enforces laws relating to wages, hours, and conditions of employment; promotes apprenticeship and other on-the-job training; assists in negotiations with parties in dispute when a work stoppage is threatened; and analyzes and disseminates statistics which measure the condition of labor in the state.

The January Governor's Budget proposed \$384.5 million (\$68.2 million General Fund) and 2,739.0 positions, an increase of \$21.8 million (including a General Fund decrease of \$211,000) and 31.9 new positions.

Expenditures by Program (dollars in thousands)	2006-07	2007-08	\$ Change	% Change
Self-Insurance Plans	\$3,731	\$3,778	\$47	1.3
Mediation/Conciliation	2,358	2,359	1	0.0
Workers' Compensation	166,474	179,024	12,550	7.5
Commission on Health and Safety and Workers' Compensation	3,132	3,080	-52	-1.7
Division of Occupational Safety and Health	89,509	96,652	7,143	8.0
Division of Labor Standards Enforcement	48,909	50,382	1,473	3.0
Division of Apprenticeship Standards	10,478	11,207	729	7.0
Division of Labor Statistics and Research	4,008	3,904	-104	-2.6
Claims, Wages, and Contingencies	34,132	34,132	0	0.0
Administration	30,205	31,366	1,161	3.8
Distributed Administration	(30,205)	(31,366)	-1,161	0.0
Total	\$362,731	\$384,518	\$21,787	6.0

(see next page for issues)

Issues Proposed for Consent / Vote Only

(See page 18 for Staff Recommendation)

Vote Only Issue 1: Licensing and Registration Unit Positions (BCP #2)

Description: The Administration requests an augmentation of \$408,000 (\$385,000 General Fund and \$23,000 Car Wash Workers Fund) to add 5.0 positions (2.5 position permanent, 2.5 positions limited-term) to address the increased workload in the Licensing and Registration Unit. The Licensing and Registration Unit oversees the additional reporting and registration requirement placed on industries that have historically poor records for complying with labor laws. These industries include farm labor contracting, garment manufacturing, and car washing and polishing businesses, among others.

Background / Detail: The Department provided information showing growth in the work backlog between December 30, 2004 and June 30, 2006. The Department indicates that, without this increase, customer service levels will decline and enforcement, which depends on licensing and license verification, will be impeded. Included in the \$385,000 General Fund augmentation request is a shift of \$160,000 to the General Fund of activities funded by the Car Wash Workers Fund since 2005-06. The Administration indicates this matches Division activities to the appropriate funding source.

Vote Only Issue 2: Senior Safety Engineer Position (BCP #3)

Description: The Division of Occupational Safety and Health requests one new Senior Safety Engineer position and \$158,000 General Fund to address increased workload for the Occupational Safety and Health Standards Board. The Board, a seven-member body appointed by the governor, adopts safety and health standards, providing the basis for Division of Occupational Safety and Health enforcement. According to the Department, the new positions would work on federal updates, rulemaking development, petitions, variances, advisory committees, adoption of emergency standards, and special requests. The Department provided data showing growth in the number of variance and petition submittals over the past 4 years, and indicates this is a major workload driver that justifies the addition of the new position. The Administration indicates the General Fund cost of this proposal is offset by savings generated by BCP #4.

Vote Only Issue 3: Funding Shift for Workers' Compensation (BCP #4)

Description: The Division of Labor Standards Enforcement requests to shift \$1.1 million and 8.8 positions from the General Fund to the Workers' Compensation Administration Revolving Fund. The Department indicates these positions support workers' compensation enforcement activities, and as such, it is appropriate to use workers' compensation special fund revenue to support them. The Department proposes to use the General Fund savings to fund the following: a restoration of the Industrial Welfare Commission budget (BCP #1, \$449,000); a staffing increase in the Licensing and Registration Unit (BCP #2, \$383,000); and the addition of one Senior Safety Engineer (BCP #3, 158,000).

Vote Only Issue 4: IT Project Reappropriation / Expenditure Adjustments (BCP #5 & April Finance Letter #1)

Description: The Division of Workers' Compensation requests a reappropriation of \$9.4 million, and additional multiyear funding of \$12.4 million, for the Electronic Adjudication Management System (EAMS) due to unforeseen delays that occurred in the contract solicitation process and a higher-than-expected project bid. This project was approved by the Legislature with the 2004 Budget Act and has a new total cost of \$36 million (Workers Compensation Administration Revolving Fund). A Section 11.00 letter to the Legislature, received in October 2006, notified the Joint Legislative Budget Committee of the cost increase. The Department has since signed a contract with a vendor to implement the system. The EAMS replaces the current on-line Vocational Rehabilitation and Disability Evaluation Unit system with a commercial-off-the-shelf case management, calendaring, document management, and cashiering solution. The Department expects annual savings of 17.3 positions (measured in personnel years) and \$3.3 million, which will be redirected to cover baseline operations. The April Finance letter makes further adjustments to the expenditure plan (and related budget bill changes) to account for further delays in procurement.

Vote Only Issue 5: Federal Labor Compliance Funding (BCP #6)

Description: The Division of Occupational Safety and Health requests an increase in federal-fund expenditure authority of \$72,000 and one new Associate Safety Engineer position to conduct outreach activities to both employers and employees, provide technical compliance assistance to motivated employers in the tree trimming and reforestation industries, in both English and Spanish. The cost of this position, beyond the new \$72,000 in federal funds, would be absorbed within existing special-fund resources.

Vote Only Issue 6: Elevator, Ride, and Tramway Unit Positions (BCP #7)

Description: The Division of Occupational Safety and Health requests an augmentation of \$1.9 million (Elevator Safety Fund) and 16.0 positions to fully implement the elevator safety requirements of SB 1886 (Chapter 1149, Statutes of 2002). SB 1886 broadened the type of conveyances covered under the law and required operators to obtain a pre-work permit for new installations. Permit fees would cover the cost of the staff associated with this request. According to the Department, the Legislature approved a Finance letter to add 37 positions for this function in 2003-04; however, many of the positions were lost due to the hiring freeze and position elimination that occurred at that time. As a result, DIR did not fully implement SB 1886, but with this request would begin to perform the pre-build plans reviews.

Vote Only Issue 7: Information Technology Positions (BCP #9)

Description: The Department requests \$651,000 (\$5,000 General Fund and the remainder various special funds) and 5.6 positions to address ongoing workload in the areas of: data preservation and litigation support; server support; network support; new technologies; and project management and security. The Department indicates 7.0 positions were lost from state-wide position reductions in 2003-04, and that the reduced staff level has resulted in delayed security upgrades and a high level of server crashes.

Vote Only Issue 8: Electrician Certification Unit Positions (BCP #10)

Description: The Division of Apprenticeship Standards requests an augmentation of \$323,000 (Electrician Certification Fund) to permanently continue 4.0 positions of 7.0 limited-term positions authorized in 2005-06. Assembly Bill 1087 (Chapter 48, Statutes of 2002) required all electricians in California to take and pass a standardized certification examination. All certified electricians must subsequently submit proof to the Division every three years that they have completed sufficient hours to keep their certification current. The Department indicates that only about 26,000 of an estimated 70,000 electricians have been certified. Current law sets the certification deadline on January 1, 2007. The Department believes that without the requested positions, it will be unable to process workload in a timely manner, and this would delay certain individuals from obtaining employment.

Vote Only Issue 9: Medical Treatment Utilization Review (BCP #12)

Description: The Division of Workers' Compensation requests a net augmentation of \$312,000 (special fund) to fully implement medical treatment utilization reviews. Pursuant to the requirements of Senate Bill 228 (Chapter 639, Statutes of 2003), employers must establish a utilization review process to evaluate treatment requests consistent with the medical treatment utilization schedule adopted by the Department. This request would provide for 3 new positions in the Medical Unit (redirected from the Rehabilitation Unit) and \$350,000 for two external contracts. These resources would allow the department to investigate, and assess penalties, as warranted, to private companies offering utilization review services.

Background / Detail: The Department is requesting these funds now, instead of when SB 228 became effective, because it has taken time to develop regulations and the utilization schedule. One external contract, estimated at \$275,000 annually, would fund an external medical review company to assist Department staff conducting on-site utilization review investigations. The other external contract, estimated at \$75,000 annually, would fund a technical reviewer to examine evidence-based medical literature and help with the augmentation of existing utilization review guidelines. The three redirected positions would be reclassified as 2.0 Nurse Consultant II positions and 1.0 Research Analyst II positions, with net savings from the reclass of \$38,000. The positions would be transferred from the Rehabilitation Unit, which the Department indicates has a declining workload.

Vote Only Issue 10: Internal Labor Relations Unit (BCP #19)

Description: The Department requests \$223,000 (various special funds) and 2.0 new positions to augment staffing in the Labor Relations Unit within the Personnel Office. The requested Labor Relations Manager I and Labor Relations Analyst would increase Unit staff from one to three, which is still less than the peak staff level of four prior to 2002.

Background / Detail: The Department indicates these positions would perform the following workload: develop statewide departmental labor relations policy; conduct meet-and-confer discussions with the various unions; prepare grievance arbitration cases; respond to employee grievances and complaints; and provide training to supervisors and managers on employee-relations matters. According to the Department, additional staff would result in fewer labor/management problems. The Department provided data on labor relations staffing at 8 other large departments. Those departments had total staffing that ranged from 1,850 personnel years to 10,000 personnel years, and had from 2 to 10 Labor Relations positions.

Vote Only Issue 11: Census of Fatal Occupational Injuries Shift (BCP #21)

Description: The Department requests to shift the Census of Fatal Occupational Injuries (OFOI) Program from the Division of Labor Statistics and Research to the Division of Occupational Safety and Health (DOSH). The shift would involve 2.0 positions and \$112,000 (half federal funds and half General Fund). The OFOI Program has been implemented in all 50 states and collectively produces comprehensive statistics of fatal work injuries. The Department believes that moving the program to DOSH will improve the ability of the Division to analyze fatality data, identify high-hazard occupations and industries, and develop recommendations for injury prevention.

Staff Recommendation: Approve all the vote-only issues (Issues 1 – 11).

Discussion / Vote Issues:**Department-wide or Crosscutting Issues**

The following issue affects more than one division at the Department of Industrial Relations.

Issue 12: Statutorily-Required Reports (Staff Issue)

Description: The Department has several overdue reports, and its overall record for submitting reports by statutory dues dates appears to be deficient. The table below shows the current status (as of April 10, 2007) of recently submitted and overdue reports.

Report	Division	Statutory Due Date	Status
Report on the Uninsured Employers Benefits Trust Fund for FY 04/05 and 05/06	Workers' Compensation	November 1, annually	Submitted 12/19/06 (late)
Report on the Subsequent Injuries Benefits Trust Fund for FY 04/05 and 05/06	Workers' Compensation	November 1, annually	Submitted 12/19/06 (late)
Job Classifications of Employees Paid from the Uninsured Employers Fund	Workers' Compensation	November 1, annually	Submitted 3/16/07 (late)
Workers' Compensation Appeals Board Hearings Report--First Quarter, 2006	Workers' Compensation	Quarterly	Overdue
Workers' Compensation Appeals Board Hearings Report--Second Quarter, 2006	Workers' Compensation	Quarterly	Submitted 2/5/07 (late)
Workers' Compensation Appeals Board Hearings Report--Third Quarter, 2006	Workers' Compensation	Quarterly	Overdue
Workers' Compensation Appeals Board Hearings Report--Fourth Quarter, 2006	Workers' Compensation	Quarterly	Overdue
Division of Apprenticeship Standards and California Apprenticeship Council Report for 2005	Apprenticeship Standards	Annually	Submitted 2/20/07 (late)
2006 Supplemental Language Report - Cal/OSHA	Occupational Safety and Health	January 10, 2007	Submitted 4/3/07 (late)
Hazard Evaluation System and Service Report	Occupational Safety and Health	December 31, annually	Overdue
2005 Bureau of Field Enforcement Report	Labor Standards Enforcement	March 1, Annually	Overdue
Annual Conveyance Safety Program Report	Occupational Safety & Health	Annually	Overdue
Annual Pressure Vessel Safety Program Report	Occupational Safety & Health	Annually	Overdue

Report	Division	Statutory Due Date	Status
Crane Certification and Revenue Report	Occupational Safety & Health	Unspecified	Overdue
DOSH Division Report	Occupational Safety & Health	March 1, annually	Overdue
Division Report of Workers Compensation	Workers' Compensation	March 1, annually	Overdue
Workers Compensation Construction Carve-Out Report	Workers' Compensation	June 30, annually	Overdue
Workers Compensation Carve Out Report	Workers' Compensation	June 30, annually	Overdue

Detail/Background: A September 2006 Bureau of State Audits (BSA) report on the Department's Division of Apprenticeship Standards highlights the Department's lax adherence to meeting statutory report requirements. The BSA found the Division did not submit required reports for calendar years 2003, 2004, or 2005. In June 2006, a copy of the 2004 report was on the Department's website; it did not contain all the required information. The BSA report quotes the Division's Deputy Chief stating that annual reports have not been submitted for various reasons, such as administrative errors and lack of sufficient time to complete them.

In discussions with Committee staff, the DIR has conceded that many reports are late. The Department indicates it will implement appropriate monitoring to rectify the problem. Since some annual and quarterly reports do not have specific due dates in statute, Staff ask the Department if it would be reasonable to expect quarterly reports within 90 days of the quarter's end, and annual reports within 6 months of the year's end – DIR indicates these are reasonable timeframes.

Questions:

1. DIR, please indicate which of the overdue reports will be submitted prior to the Subcommittee's final hearings in mid-May.
2. DIR, please indicate what steps the Department is taking to submit reports by statutory due dates.

Staff Recommendation: Keep this issue open and ask the Department to report at the next hearing how many of the overdue reports have been submitted.

Division of Workers' Compensation

Brief Overview of the Division of Workers' Compensation (DWC). The DWC monitors the administration of workers' compensation claims and provides administrative and judicial services to assist in resolving disputes that arise in connection with claims for workers' compensation benefits. Legislation enacted in 2003 and 2004 resulted in significant changes to the workers' compensation system. Last year, the Administration reported that charged rates were \$6.46 for every \$100 in payroll in July of 2003, but by September of 2005 those rates were down to \$4.42 per \$100 in payroll – an actual reduction of 31.6 percent. While the program changes resulted in significant savings for employers, they also added new workload for the Division – employment has increased from 910 positions in 2002-03 to 1,145 positions in 2006-07.

Issue 13: Permanent Extension of LT Positions (BCPs #13, 14, 15, & 16)

Description: The Administration requests approval of four budget change proposals to permanently extend 31.0 limited-term (LT) positions added in 2004-05. These LT positions are associated with SB 899 (Chapter 34, Statutes of 2004) and other workers' compensation reform legislation of that period. Of the 37.5 three-year LT positions added in 2004-05 for workers' compensation reform, this request would continue the 31.0 positions that did not get eliminated through vacant position reductions. The Department indicates the positions were originally made limited term because the long-run workload from Workers' Compensation Reform was difficult to assess in 2004-05. Based on workload data compiled over the past two years, the Department feels the realized workload justifies the permanent extension of these 31.0 positions. Funding for these positions would come from the Workers' Compensation Administration Revolving Fund.

- **Uninsured Employers Benefit Trust Fund Unit Positions (BCP #13).** The Governor requests \$784,000 and the continuation of 7.0 Workers' Compensation Consultants and 2.0 Office Assistants. The Uninsured Employers Benefit Trust Fund Unit ensures that injured workers whose employer did not provide workers' compensation protection as required by the law still receive benefits. Statistics from the department show that overall new claims increased by 44 percent from 2003-04 to 2005-06, and that the average caseload per examiner is already 75-percent above the industry average.
- **San Bernardino Information Service Center Positions (BCP #14).** The Governor requests \$787,000 and the continuation of 3.0 Program Technicians (including one supervisor) and 4.0 Office Assistants. The San Bernardino Information Service Center provides phone assistance to users of the workers' compensation system. The Department indicates that call volume has stayed high, and was recently measured at 42 percent above pre-SB 899 levels. The Department has also worked to improve wait times, and the average wait times in early 2006 were 6 to 10 minutes – down from 20 to 25 minutes in 2005.

- **Medical Unit Positions (BCP #15).** The Governor requests \$381,000 and the continuation of 3.0 Workers' Compensation Consultants and 9.0 Office Assistants. These positions are requested to support the review requests for a Qualified Medical Evaluator (QME) panel. With the enactment of SB 899, injured workers are now mandated to go through the process of requesting a QME panel when the sides cannot agree on an Agreed Medical Examiner to resolve medically-determined issues such as permanent disability, apportionment, future medical treatment, etc. The Department indicates that actual workload has been above estimates and is not expected to fall significantly in the future.
- **Audit Unit Positions (BCP #16).** The Governor requests \$200,000 and the continuation of 1.0 Staff Services Analyst and 2.0 Office Technicians. The Audit unit reviews insurers, self-insured employers, and third-party administrators to insure they meet their statutory responsibilities. The Department indicates the current staffing level should be continued to rid the system of the egregious violators. While the positions at issue are not auditors, they monitor and compile databases of required filings that help identify violators and prepare evidentiary documents.

Questions:

1. DIR, please indicate if any further changes to workers' compensation staffing are anticipated as one-time workload from the 2003 and 2004 reforms should be nearing completion. Does the 2007-08 staffing request represent the new baseline staffing level (barring fluctuations due to caseload or future legislative changes)?

Staff Recommendation: Approve these funding requests.

Division of Labor Standards Enforcement

Brief Overview of the Division of Labor Standards Enforcement (DLSE): The Division adjudicates wage claims, investigates discrimination and public works complaints, and enforces labor law and the Industrial Welfare Commission wage orders. The Division receives approximately 80 percent of its funding from the General Fund. The Industrial Welfare Commission is an independent body within the Division composed of 5 gubernatorial appointees.

Issue 14: Industrial Welfare Commission (BCP #1)

Description: The Administration requests an augmentation of \$449,000 General Fund to restore funding and 3.0 positions for the Industrial Welfare Commission (IWC). In 2004-05 the Legislature eliminated funding and staff for the Commission; however, the statutory responsibilities of the Commission were not amended. Among other responsibilities, the Commission is required to conduct a full review of the adequacy of the minimum wage at least once every two years.

Background / Detail: Staff understands the Legislature deleted funding for the Commission in 2004-05 because it had not fulfilled its statutory obligation to review the adequacy of the minimum wage. The Department indicates that since the Commission was de-funded, it has redirected staff from other areas to provide staff support to the Commissioners. Aside from the minimum wage determination, the Commission may also consider petitions to adopt, amend, or appeal wage order regulation. The Administration indicates that the General Fund cost of this proposal is offset by savings generated by BCP #4.

Staff Recommendation: Reject this BCP (de-fund the Industrial Welfare Commission for 2007-08). The Governor and the Legislature took action to increase the minimum wage last year. Given this, and the continuing General Fund shortfall, it seems prudent to continue the status quo and de-fund the Commission in 2007-08.

Issue 15: Minimum Wage Enforcement and Staffing (Informational Issue)

Description: Last year, the Legislature augmented the proposed budget by \$1.5 million (General Fund) and 15 positions to increase enforcement in the area of minimum wage and overtime law compliance in construction, agriculture, garment manufacturing, janitorial, and restaurant employment. Budget bill language was also adopted specifying the expenditure of this augmentation. The Governor retained the positions and funding, but vetoed budget bill language that targeted certain industries for increased enforcement. The veto message said that targeting certain industries in the budget was “unduly restrictive.”

Background / Detail: According to information provided last year by DIR, employment grew by 44 percent from 1983 to 2003, while Division of Labor Standards Enforcement (DLSE) staff fell from 434 to 403 over the same period. The Governor’s Budget proposes 423.7 DLSE positions for 2007-08. The Department provided statistics that indicate there were 46 minimum wage citations issued in 2006, with 1 in the construction industry, none in agriculture, 2 in garment manufacturing, 3 in janitorial, and 17 in restaurants (and 23 in other industries). Last year, the Department indicated the number of citations would likely increase in 2007 due to the higher minimum wage.

Questions:

1. DIR, please indicate if the experience, to date, in 2007 indicates an increase in minimum wage violations due to the increase from \$6.75 to \$7.50 (effective January 1, 2007).
2. DIR, given recent and future increases in the minimum wage, does the Division need additional staff to adequately protect workers’ rights?

Staff Recommendation: Informational issue – no action necessary.

Division of Occupational Health and Safety

Brief Overview of the Division of Occupational Health and Safety (DOSH): The Division protects workers from safety hazards through its Cal/OSHA program and provides consultative assistance to employers. In addition to ensuring safe and healthful working conditions, the DOSH has two major units devoted to conducting inspections to protect the public from safety hazards: The Elevator, Ride and Tramway Unit conducts public safety inspections of elevators, amusement rides -- both portable and permanent -- and aerial passenger tramways, or ski lifts. The Pressure Vessel Unit conducts public safety inspections of boilers, air and liquid storage tanks, and other types of pressure vessels.

Issue 16: Audit Report (Staff Issue)

Description: A February 2006 Bureau of State Audits (BSA) report on San Francisco – Oakland Bay Bridge Worker Safety highlighted deficiencies in contractors' reporting of injuries and found the Division of Occupational Health and Safety failed to adequately followup on three of the six complaints received and DOSH lacks procedures to ensure the reasonable accuracy of employers' annual injury reports (Form 300). The BSA recommended that if the Division does not have the resources necessary to improve its procedures it should seek additional funding from the Legislature. In the first response to the audit, the Labor Agency indicated the Department would study options for reviewing the "Form 300" injury reports. In the six-month response, the Labor Agency indicated a review process for Form 300 reports would be "impossible to implement without having an electronic information management system," and that currently enforcement data management is controlled by a system operated by the federal Occupation Health and Safety Administration.

Questions:

1. DIR, please explain why the Department is unable to follow the BSA's recommendation to use the Form 300s to prioritize inspection activity.
2. DIR, the Department's audit response suggested a comprehensive electronic system was not feasible, but would it be beneficial to manually examine these forms for large projects so that limited inspection visits can be better focused?

Staff Recommendation: Informational issue – no action necessary.

Issue 17: CalOSHA Staffing (Staff Issue)

Description: Last year, the Legislature augmented the proposed budget by \$1.5 million (General Fund) and 16 positions to increase enforcement in the area of worker safety. Supplemental Report Language was also adopted requiring a report to the Legislature by January 10, 2007, that covered staffing vacancy rates, a statistical comparison with other states, and other data. The Governor vetoed the augmentation and related staffing, but the Supplemental report requirements remain in place. The required report is overdue.

Background: The due date for the staffing report was set in coordination with the Department for January 10, 2007, so Committee staff could review the report and the Subcommittee could discuss the data during budget hearings. The report was submitted April 4, 2007; however, this late submittal date has left insufficient time for Staff to review this report with the Department prior to this hearing. Since this report was specifically required to address to budgetary oversight issues, its lateness weakens legislative oversight in this area.

Questions:

1. DIR, why was this report submitted three months late – after more than half of the legislative budget-review time has already passed?
2. LAO, please comment.

Staff Recommendation: Keep issue open for discussion at a future hearing after DIR submits the required report.

Issue 18: Elevator, Ride, and Tramway Unit Budget Realignment (BCP #8 and Trailer Bill)

Description: The Administration requests a budget realignment and new fees that will result in a net General Fund savings of \$88,000 and new fees on public-sector owners of elevators, amusement rides, and tramways totaling approximately \$2.6 million.

Detail/Background: The Elevator, Ride, and Tramway Unit is charged with inspecting public and private elevators, permanent amusement rides, portable amusement rides, and tramways. Current law prohibits the Department from charging public entities, so the cost of providing that service is currently born by a private fee payers and the General Fund. The Department indicates it is not permissible over the long-term to have private operators subsidize public operators, and the condition of the General Fund does not allow for an augmentation of \$2.2 million to fund the cost of service for public entities. The Administration proposes the following:

- Discontinue the current General Fund support for the Unit of \$448,000.
- Adopt budget trailer bill language to shift the deposit of fees collected (about \$360,000 annually) for inspection of private portable amusement rides and tramways from the General Fund to the Elevator Safety Account. (These first two bullets would result in net savings of \$88,000 for the General Fund.
- Adopt budget trailer bill language to allow the Unit to bill public sector entities for the cost of performing inspections of elevators, permanent amusement rides, and tramways. Total annual fees would be approximately \$2.6 million.
- Eliminate the Permanent Amusement Ride and Safety Fund and transfer the fund balance and deposit future revenues into the Elevator Safety Account.

Questions have been raised concerning the legal ability of the State to charge the local governments for inspection activity. The Department indicated that this proposal would not constitute a reimbursable mandate because it applies to both private and public entities and that it is appropriately classed as a fee increase instead of a tax increase because the charge is tied to the cost of the service. There were, additionally, some concerns about new Constitutional requirements added by Proposition 1A in 2004 (see the first question below).

Questions:

1. DIR and Department of Finance, can the State legally charge locals for these inspections given the new Constitutional restrictions (Section 6 of Article XIII B) added by Proposition 1A in 2004?
2. LAO, please comment.

Staff Recommendation: Keep open for further analysis.

Division of Apprenticeship Standards

Brief Overview of the Division of Apprenticeship Standards (DAS): The Division of Apprenticeship Standards (DAS) administers California apprenticeship law and enforces apprenticeship standards for wages, hours, working conditions and the specific skills required for state certification as a journey person in an apprenticeable occupation. The Division does not receive General Fund support, but is instead supported by various special funds.

Issue 19: Audit Report (Staff Issue)

Description: A September 2006 Bureau of State Audits (BSA) report on the Department's Division of Apprenticeship Standards found multiple deficiencies.

Audit Findings:

1. The division suspended program audits in 2004 and did not follow up on corrective action related to audits it had started.
2. The division has not resolved apprentice complaints in a timely manner, taking over four years in some cases to investigate the facts of complaints.
3. The division has not adequately monitored the apprentice recruitment and selection process. In particular, it has not conducted Cal Plan reviews since 1998.
4. Division consultants did not consistently provide oversight through attendance at committee meetings.
5. The division's staffing levels have not increased in step with legal obligations, and it has failed to document priorities for meeting these obligations for existing staff.
6. The division did not report annually to the Legislature for calendar years 2003 through 2005, and the annual reports contain grossly inaccurate information about program completion.
7. The department is slow to distribute apprenticeship training contribution funds. Only \$1.1 million of the roughly \$15.1 million that had been deposited into the training fund by June 30, 2005, has been distributed as grants.
8. The division does not properly maintain its data on the status of apprentices.

Auditor Recommendations:

1. Follow through on its planned resumption of audits, and ensure that recommendations are implemented and that audits are closed in a timely manner.
2. Establish time frames for resolving complaints and develop a method for ensuring that complaints are resolved within these time frames.
3. Conduct systematic audits and reviews of apprenticeship recruitment and selection to ensure compliance with Cal Plan requirements and state law.
4. Ensure that it submits annual reports to the Legislature that are accurate, timely, and consistent with state law.
5. Request increased budgetary authority as necessary to distribute apprenticeship training contribution fund money received each fiscal year first to the division for its estimated expenses to administer the grants program for the year the distribution is made and then as grants to applicable programs.

6. Establish a process for regularly reconciling information on the current status of apprentices in the division's database with information maintained by committees.

Agency Response: The Agency indicated in a response letter that they would work to implement all of the audit recommendations. Budget Change Proposal #11 (see the issue on the next page) would assist in addressing some of the audit recommendations, but other audit recommendations are not addressed for 2007-08 and the Administration indicates it may submit additional budget requests next year.

Background / Detail: The State Auditor released a draft copy of the Audit to the Department in August 2006. While that date is late in the developmental process for the Governor's January 10 Budget, it is unclear why the Administration did not submit an April Finance Letter to fully address the issues raised by the audit (again, the response letter indicated the Department would work to implement all the audit recommendations). Note, the Apprenticeship Training Contribution Fund has an ending fund balance of \$12.3 million in 2006-07 and \$13.4 million in 2007-08, so funding does not appear to be a major constraint.

Staff understands the following key audit deficiencies are unlikely to be fully addressed by the Governor's Budget:

- Audit Recommendation 1: Discussions with DIR suggest that the 3.0 new positions requested (see issue on the following page) will likely be insufficient to perform all of the audits required in current statute.
- Audit Recommendation 5: DIR has not requested to increase its budget authority so it can offer additional apprenticeship training grants, and suggests this will be considered for 2008-09. The fund balance suggests grants could easily be doubled from \$1.2 million to \$2.4 million without reducing the fund reserve.
- Other Recommendations: DIR suggests process improvements instead of staffing augmentations to address the other deficiencies. It is unclear if process improvements will fully address all of the deficiencies.

Questions:

1. DIR, are additional audit positions necessary (beyond the Governor's Budget request) to meet statutory audit requirements?
2. DIR, since the fund balance seems adequate for additional apprenticeship training grants, why isn't the Administration requesting a budget increase for this purpose?
3. DIR, for the audit deficiencies not addressed by question 1 and 2, is existing staff and process improvements adequate to fully address all the audit deficiencies?

Staff Recommendation: Keep issue open for further discussion. The Subcommittee may want to consider augmenting staffing and funding for the Division (using special funds) so additional audit deficiencies can be corrected.

Issue 20: Apprenticeship Audit Positions (BCP #11)

Description: The Administration requests an augmentation of \$339,000 (Apprenticeship Training Contribution Fund) to add 3.0 Apprenticeship Consultant positions. The Labor Code requires that programs with more than five apprentices be audited once every five years and the Division is not meeting this requirement.

Background / Detail: This request is related to the audit issue on the prior pages, and as that was suggested, there is concern that this request is not sufficient to address all the deficiencies revealed by the audit.

Staff Recommendation: Keep open for further review.

Attachment I – EDD Job Service Position Reduction Plan

	CURRENT STAFFING LEVEL							POSITION REDUCTIONS						
Statewide Total	857	98	23	19	11	60	1088	131	18	5	2	1	60	217
	EPR	EPMI	EPMI	EPMI	EDA	PI	TOTAL	EPR	EPMI	EPMI	EPMI	EDA	PI	TOTAL
Northern Administration	6	2	0	0	3	0	11	0		0	0	1	0	1
Region 1														
0330 Oakland	32	3	1	0		1	37	5	1	0	0	0	1	7
0690 Campbell	36	3	0	1		1	41	5	1	0	0	0	1	7
0960 Pleasant Hill	14	2	1	0		0	17	2	0	0	0	0	0	2
							95							16
Region 2														
0550 Mendocino-Lake	7	1	0	0		0	8	1	0	0	0	0	0	1
1290 North Bay Job Service	32	2	0	1		1	36	5	1	0	0	0	1	7
5040 San Francisco	33	3	0	1		1	38	5	1	0	0	0	1	7
1340 Eureka	6	0	1	0		0	7	1	0	0	0	0	0	1
							89							16
Region 3														
0590 Sacramento Midtown	36	3	0	1		2	42	5	0	0	0	0	2	7
0820 North Valley	17	1	1	0		3	22	3	0	0	0	0	3	6
1310 North Eastern Co.	8	2	0	0		0	10	1	1	0	0	0	0	2
1600 Roseville	27	2	1	0		1	31	4	0	0	0	0	1	5
							105							20
Region 4														
0450 Salinas	10	0	1	0		1	12	1	0	0	0	0	1	2
0620 Modesto	19	3	0	1		4	27	3	1	0	0	0	4	8
1750 Stockton	16	2	0	1		2	21	3	0	0	0	0	2	5
0470 Capitola	6	1	0	0		1	8	1	0	0	0	0	1	2
							68							17
Northern Total	305	30	6	6	3	18	368	45	6	0	0	1	18	70
LA/Ventura Administration	3	2	0	1	4	0	10	1	0	0	0	0	0	1
Region 5														
0100 San Fernando	22	3	0	0		1	26	3	1				1	5
0110 Canoga Park	15	2	1	0		1	19	2	1				1	4
1020 Lancaster	18	1	1	0		1	21	3	0				1	4
1360 Oxnard	13	1	1	0		1	16	2	0				1	3
							82							16
Region 6														
0140 LA/South Bay	19	3	1	0		2	25	3	1				2	6
1030 LA So. Central/Compton	14	2	1	0		1	18	2	0				1	3
1680 Crenshaw SC	36	4	0	1		3	44	6	1				3	10
							87							19
Region 7														
0010 El Monte	38	4	1	1		1	45	6	1	1			1	9
0030 Glendale	24	3	0	1		2	30	3	1				2	6
							75							15
Region 8														
1220 East Los Angeles/Hub City	24	3	0	1		1	29	3	1				1	5
1250 Norwalk	17	2	1	0		2	22	2	0				2	4
1550 Long Beach	13	2	1	0		0	16	2	1				0	3
							67							12
LA Ventura Total	256	32	8	5	4	16	321	38	8	1	0	0	16	63
Southern Administration	11	3	1	1	4	0	20	2	0	0	0	0	0	2
Region 9														
0390 Rancho Cucamonga	35	3	1	1		2	42	6		1			2	9
1610 Riverside West	36	4	1	1		3	45	6		1			3	10
							87							19
Region 10														
0420 Santa Ana	29	3	1	1		1	35	4		1			1	6
0740 Anaheim	20	3	1	0		2	26	3	1				2	6
							61							12
Region 11														
0480 El Centro	33	4	1	1		5	44	6	1	1			5	13
0810 Oceanside	17	2	1	0		3	23	3					3	6
1460 San Diego South	34	4	1	0		2	41	5	1				2	8
							108							27
Region 12														
0720 Santa Maria	19	2	0	1		0	22	3			1		0	4
1240 Visalia	11	1	0	1		1	14	1			1		1	3
1260 Fresno Service Center	25	4	1	0		2	32	4	1				2	7
1350 Bakersfield	26	3	0	1		5	35	5					5	10
							103							24
Southern Total	296	36	9	8	4	26	379	48	4	4	2	0	26	84

EPR: Employment Program Representative; EPM: Employment Program Manager; EDA: Employment Program Administrator; PI: Permanent Intermittent

Attachment II – WIA Expenditure Chart
(From the LAO Analysis of the 2007-08 Budget Bill).

Figure 1		
Workforce Investment Act (WIA)		
State Discretionary Funds		
<i>(In Millions)</i>		
Budget Bill Schedule/Project	Estimated 2006-07	Proposed 2007-08
(1) WIA Administration and Program Services	\$28.5	\$27.6
(2) Growth Industries		
Biotechnology	\$1.0	—
Community colleges WIA coordination	0.6	\$0.6
High wage/high skill job training	2.1	2.7
Regional collaboratives	—	1.3
Incentive grants ^a	0.2	0.2
Subtotals	(\$3.7)	(\$4.8)
(3) Industries With a Statewide Need		
Nurse Education Initiative	\$6.2	\$6.2
Nurses/healthcare/construction/logistics ^b	8.0	4.9
Regional collaboratives	—	1.3
Subtotals	(\$14.2)	(\$12.4)
(4) Removing Barriers for Special Needs Populations		
Female Offenders' Treatment and Employment Program	\$1.7	\$1.1
Parolee services	7.9	5.2
Regional collaboratives	—	1.4
Incentive grants ^a	0.5	0.5
Services to long-term unemployed ^a	1.7	1.7
Governor's award for veterans' grants	5.0	3.0
Veterans/disabled veterans' employment services	0.7	0.7
Department of Education WIA coordination	0.5	0.3
Youth grants ^a	1.0	2.0
Low wage earners	1.7	1.3
Subtotals	(\$20.7)	(\$17.2)
Total Proposed Expenditures	\$67.1	\$62.0
^a For 2006-07, these grants were listed under Administration and Program Services. ^b For 2006-07, these grants were for nurse and other healthcare providers only. Detail may not total due to rounding.		